

Message Text

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PAGE 01 KUWAIT 00086 070526Z

14

ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

 DOTE-00 INR-07 NSAE-00 FAA-00 L-03 PA-01 USIA-06

 PRS-01 SP-02 PM-04 NSC-05 SS-15 /064 W

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R 061358Z JAN 76

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 4420

INFO AMEMBASSY ABU DHABI

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY ROME

AMEMBASSY TEHRAN

USINT BAGHDAD

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ROME FOR RCAA

E.O. 11652 N/A

TAGS: ECIN, EAIR, KU

SUBJ: KUWAIT AIRWAYS-GULFAIR MERGER

REF: KUWAIT 0074,

1. BEGIN UNCLASSIFIED, AS INDICATED REFTEL PARA 2 ONE REGIONAL PROGRAM KUWAITIS CURRENTLY PURSUING IS MERGER KUWAIT AIRWAYS (KAC) WITH GULFAIR. MATTER PRESENTLY RECEIVING HIGH LEVEL ATTENTION IN KUWAIT. ACCORDING DECEMBER 22 KUWAIT TIMES KUWAIT COUNCIL OF MINISTERS AT REGULAR SESSION DAY BEFORE CONSIDERED REPORT ON SUBJECT AND AUTHORIZED MINISTER OF COMMUNICATIONS, KAC CHAIRMAN FAISAL FLAIJ AND MINISTRY OF FINANCE REP TO ATTEND MEETING AT UNSPECIFIED FUTURE DATE WITH GULF AIR REPS. ON JANUARY 5 RAI AL-AM REPORTED THAT DISCUSSIONS HAD REACHED
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PAGE 02 KUWAIT 00086 070526Z

ADVANCED LEVEL. ARTICLE ADDED THAT UNDERSECRETARY OF FOREIGN

AFFAIRS, RASHED AL-RASHED WILL TOUR NEIGHBORING COUNTRIES LATER THIS MONTH TO FOLLOW-UP ON AGREEMENTS SIGNED BETWEEN KUWAIT AND THOSE COUNTRIES. PRESUMABLY RASHED WILL DISCUSS AIRLINE MERGER. END UNCLASSIFIED

2. BEGIN LIMITED OFFICIAL USE: COMMENT: ACCORDING TO VISITING LOCKHEED REP, HE WAS TOLD BY RELIABLE SOURCE THAT KUWAIT PRIME MINISTER HAS ISSUED ORDERS TO HIS SUBORDINATES TO GIVE AIRLINE MERGER HIGH PRIORITY AND QUOTE TO MAKE IT HAPPEN UNQUOTE. KAC OFFICIALS APPEAR TO BELIEVE THAT MERGER OF TWO AIRLINES WOULD BE COMMERCIALY BENEFICIAL. KAC DOUBTS OVER COMMERCIAL WISDOM OF BUYING WIDE-BODIES JETS AND NEGATIVE REACTION OF USG TO ITS REQUEST FOR LANDING RIGHTS IN US PROBABLY ALSO PLAY A ROLE SINCE KUWAITIS LIKELY BELIEVE THAT TRULY REGIONAL CARRIER WILL BE STRONGER. AS RESULT WIDE-BODIED JETS COULD BE MORE ATTRACTIVE COMMERCIALY AND CHANCE OF OBTAINING LANDING RIGHTS IN US WOULD IMPROVE. MOREOVER, KAC PHYSICAL AND HUMAN RESOURCES COULD BE MORE EFFICIENTLY USED BY LARGER AIRLINE.

3. UNTIL NOW WE HAD UNDERSTOOD THAT KUWAITIS WOULD WANT TO HEAD JOINT AIRLINE AND TO HAVE IT BASED HERE. THIS IS CLASSIC KUWAITI MINI-IMPERIALISM, EVEN THOUGH, OBJECTIVELY, IT MAY MAKE SENSE, WE HAD UNDERSTOOD THAT GULFAIR OWNERS ARE NOT INTERESTED IN MERGER WITH KAC. WOULD BE INTERESTED IN ANY COMMENT OR OTHER INFO ADDRESSEE POSTS MAY WITH TO ADD. FROM YOUR VIEWPOINT, IS THERE ANY HOPE THAT KUWAITIS MAY BE SUCCESSFUL IN EFFECTING KAC-GULFAIR MERGER?

MAU

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